



Actuarial Office
P.O. Box 1494
Sacramento, CA 95812
Telecommunications Device for the Deaf - (916) 795-3240
(888) CalPERS (225-7377) FAX (916) 795-3005

April 18, 2006

AGENDA ITEM 5

TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

I. SUBJECT: June 30, 2005 Volunteer Firefighters' Length of Service Award System (VFLSAS) Valuation and Certification

II. PROGRAM: Actuarial & Employer Services

III. RECOMMENDATIONS:

It is recommended that the Committee accept and recommend to the Board of Administration approval of the June 30, 2005 VFLSAS Actuarial Valuation Report and adoption of a rate of \$340.34 per active member for existing entities and a rate of \$288.63 per active member for new entities and no payment of the Supplemental Award for fiscal year July 1, 2006 through June 30, 2007. The rate is set in two parts: the cost of the benefits is \$204.65 per active member, and the cost of the administrative expenses is \$135.69 per active member to be prorated in case of a partial year.

There were no changes in the actuarial assumptions and methods to be applied to the VFLSAS since the June 30, 2004 valuation.

IV. ANALYSIS:

Enclosed is the CalPERS staff actuarial valuation report as of June 30, 2005 for the VFLSAS. Also attached is the transmittal letter to the Governor and Legislature. As can be seen in our report, the system continues to have assets (\$3,211,817) which are less than the actuarial liability (\$3,651,305). Therefore, under Board policy, the supplemental award may not be paid during the fiscal year July 1, 2006 through June 30, 2007.

For existing entities, the cost of the program decreased to \$266,483 for fiscal year 2006/2007 from \$310,480. The decrease was primarily due to the fewer active participants included in this valuation. The cost per active member increased to \$340.34 for fiscal year 2006/2007 from \$320.41.

Although the total cost for this program decreased, the cost per active member increased as a result of fewer active members over which to spread the cost. Active members decreased from 969 to 783. The costs for 2005/2006 and 2006/2007 are compared below:

	June 30, 2004	June 30, 2005
Total Contribution (assumed paid end of year on June 30)		
Normal Cost – Benefits	\$ 131,263	\$ 119,753
Payment on the Unfunded Liability	50,119	40,488
Normal Cost – Administrative Expenses	<u>129,098</u>	<u>106,242</u>
Total	\$ 310,480	\$ 266,483
Contribution per Active Member (assumed paid on June 30)		
Normal Cost – Benefits	\$ 135.46	\$ 152.94
Payment on the Unfunded Liability	51.72	51.71
Normal Cost – Administrative Expenses	<u>133.23</u>	<u>135.69</u>
Total	\$ 320.41	\$ 340.34

Please note that when a fire entity joins the program, the first-year cost is equal to the Normal Cost rate times the number of active members joining at that time. Thereafter, the entity pays based on the total rate per active member. The reason for this is that new entities have not yet contributed to the Surplus or Unfunded Liability of the pool and, therefore, do not yet share in the resulting credit or cost.

Supplemental Award

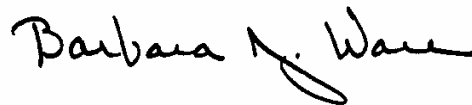
Section 50965(b) of the Government Code provides for a supplemental award amount, not to exceed \$50, which may be added to the regular award, based on an actuarial analysis of the condition of the fund. The amount is to be "reviewed annually by the Board to ensure that it remains consistent with the maintenance of adequate actuarial reserves." The Board has established a policy that a supplemental benefit of 50% of the basic benefit will be paid to the current retirees if the assets of the plan exceed the actuarial accrued liability, including the present value of any supplemental benefits for the two years following the valuation date. Under current Board policy, the Supplemental Award will not be payable for the fiscal year 2006/2007.

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic or Annual Plans but is part of the regular and ongoing workload of the Actuarial & Employer Services Division.

VI. RESULTS/COSTS:

See enclosed actuarial report.



Barbara J. Ware, Senior Pension Actuary
Actuarial & Employer Services Division



Ron Seeling, Chief Actuary
Actuarial & Employer Services Division

Attachments